**EMERALD CITIES COLLABORATIVE, INC.**

**AUDITED FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2023**

*F.S. Taylor & Associates, P.C.*
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# EMERALD CITIES COLLABORATIVE, INC.

## AUDITED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED JUNE 30, 2023

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# F.S. TAYLOR & ASSOCIATES, P.C.

CERTIFIED PUBLIC ACCOUNTANTS & MANAGEMENT CONSULTANTS

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Emerald Cities Collaborative, Inc.

### Opinion

We have audited the accompanying financial statements of Emerald Cities Collaborative, Inc., (ECC), which comprise the statement of financial position as of June 30, 2023, and the related statements of activities, cash flows and functional expenses for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Emerald Cities Collaborative, Inc. as of June 30, 2023, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of ECC and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about ECC's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

**Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of ECC's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about ECC's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

**Emphasis-of-Matter: Change in Accounting Principle**

As discussed in Note 2 to the financial statements, during the year ended June 30, 2023, ECC adopted FASB 2016-02, which changed the treatment and accounting of operating leases. Our opinion is not modified with respect to this matter.

F. S. Taylor & Associates, P.C.

November 22, 2023
Washington, DC

**EMERALD CITIES COLLABORATIVE, INC.**
**STATEMENTS OF FINANCIAL POSITION**
**JUNE 30, 2023**

## ASSETS

| | | |
|---|---|---|
| Current assets: | | |
| Cash and cash equivalents | $ | 34,899,025 |
| Contributions receivable | | 304,617 |
| Total current assets | | 35,203,642 |
| Other assets: | | |
| Deposits | | 16,703 |
| Right-of-use assets, net - operating leases | | 628,494 |
| Property and equipment, net | | 35,190 |
| Total other assets | | 680,387 |
| Total assets | $ | 35,884,029 |

## LIABILITIES AND NET ASSETS

| | | |
|---|---|---|
| Current liabilities: | | |
| Accounts payable | $ | 445,874 |
| Accrued salaries | | 18,405 |
| Accrued compensated absences | | 209,649 |
| Lease liabilities, current portion | | 106,724 |
| Total current and total liabilities | | 780,652 |
| Other liabilities: | | |
| Lease liabilities, net of current portion | | 522,204 |
| Net assets: | | |
| Without donor restrictions | | 13,308,042 |
| With donor restrictions | | 21,273,131 |
| Total net assets | | 34,581,173 |
| Total liabilities and net assets | $ | 35,884,029 |

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

**EMERALD CITIES COLLABORATIVE, INC.**
**STATEMENT OF ACTIVITIES**
**FOR THE YEAR ENDED JUNE 30, 2023**

| | WITHOUT DONOR RESTRICTIONS | WITH DONOR RESTRICTIONS | TOTAL |
|---|---|---|---|
| **Public Support and Revenue** | | | |
| Contributions | $ 1,014,835 | $ 1,790,000 | $ 2,804,835 |
| Contributions held for fiscally-sponsored organizations | | 22,335,000 | 22,335,000 |
| Investment income | 30,302 | | 30,302 |
| Earned revenue and other income | 2,986,679 | | 2,986,679 |
| Net assets released from donor restrictions | 5,104,202 | (5,104,202) | |
| Total public support and revenue | 9,136,018 | 19,020,798 | 28,156,816 |
| **Expenses** | | | |
| Program expenses | 8,985,846 | | 8,985,846 |
| Supporting services: | | | |
| Management and general | 900,971 | | 900,971 |
| Fundraising | 77,032 | | 77,032 |
| Total supporting services | 978,002 | | 978,002 |
| Total expenses | 9,963,848 | | 9,963,848 |
| Change in net assets | (827,830) | 19,020,798 | 18,192,968 |
| Net assets at beginning of year | 14,135,872 | 2,252,333 | 16,388,205 |
| Net assets at end of year | $ 13,308,042 | $ 21,273,131 | $ 34,581,173 |

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

**EMERALD CITIES COLLABORATIVE, INC.**
**STATEMENTS OF CASH FLOWS**
**FOR THE YEAR ENDED JUNE 30, 2023**

| | | |
|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | |
| Change in net assets | $ | 18,192,968 |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: | | |
| Depreciation expense | | 13,399 |
| Net right-of-use amortization | | (376) |
| (Increase) decrease in operating assets: | | |
| Contributions receivable | | 152,522 |
| Deposits | | - |
| Increase (decrease) in operating liabilities: | | |
| Accounts payable | | 237,978 |
| Accrued salaries | | (6,030) |
| Accrued compensated absences | | 129,984 |
| Net cash provided by operating activities | | 18,720,445 |
| **CASH FLOWS USED IN INVESTING ACTIVITIES:** | | |
| Net (purchase) sales of investments | | 2,419 |
| Purchases of property and equipment | | (31,292) |
| Net cash used in investing activities | | (28,873) |
| Net increase in cash and cash equivalents | | 18,691,572 |
| Cash and cash equivalents at beginning of year | | 16,207,453 |
| Cash and cash equivalents at end of year | $ | 34,899,025 |
| **SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION** | | |
| Interest paid | $ | 11 |

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

**EMERALD CITIES COLLABORATIVE, INC.**
**STATEMENT OF FUNCTIONAL EXPENSES**
**FOR THE YEAR ENDED JUNE 30, 2023**

| | | Supporting Services | | | |
|---|---|---|---|---|---|
| | Total Program Services | General and Administrative | Fundraising | Total Support Services | Total |
| Salaries | $ 2,532,493 | $ 457,680 | $ 61,024 | $ 518,703 | $ 3,051,197 |
| Payroll Taxes | 204,168 | 36,898 | 4,920 | 41,818 | 245,985 |
| Benefits | 341,472 | 61,712 | 8,228 | 69,940 | 411,412 |
| Vacation Expense | 107,887 | 19,498 | 2,600 | 22,097 | 129,984 |
| Retirement Benefits | 10,791 | 1,950 | 260 | 2,210 | 13,001 |
| Payroll Processing Fees | | 13,053 | | 13,053 | 13,053 |
| Grants to Others | 776,000 | | | - | 776,000 |
| Consulting | 1,163,509 | 118,459 | | 118,459 | 1,281,968 |
| Subcontractors | 122,281 | | | - | 122,281 |
| Audit & Accounting Services | 9,428 | 1,048 | | 1,048 | 10,475 |
| Professional Services | 16,089 | 1,787 | | 1,787 | 17,877 |
| Office Expense | 24,214 | 2,690 | | 2,690 | 26,904 |
| Postage | 415 | 46 | | 46 | 461 |
| Printing | 3,163 | 351 | | 351 | 3,514 |
| Dues/Fees/Subscriptions | 83,986 | 9,332 | | 9,332 | 93,317 |
| Lease Expense | 22,198 | 87,194 | | 87,194 | 109,392 |
| Insurance | 19,314 | 2,146 | | 2,146 | 21,460 |
| Telephone | 10,345 | 1,149 | | 1,149 | 11,495 |
| Internet / Website | 43,940 | 4,882 | | 4,882 | 48,822 |
| Software subscriptions | 8,906 | 990 | | 990 | 9,896 |
| Travel | 98,238 | 10,915 | | 10,915 | 109,153 |
| Meals | 6,992 | 777 | | 777 | 7,769 |
| Meetings & Conferences | 470,629 | 52,292 | | 52,292 | 522,921 |
| Training | 14,770 | 1,641 | | 1,641 | 16,411 |
| Videos / Photo / Recordings / Media | 10,556 | 1,052 | | 1,052 | 11,608 |
| Miscellaneous Donations | 1,238 | | | - | 1,238 |
| Bank Charges | 106 | 30 | | 30 | 136 |
| Depreciation Expense | | 13,399 | | 13,399 | 13,399 |
| Fiscally-Sponsored Organizations: Climate Breakthrough Project | 363,648 | | | - | 363,648 |
| Fiscally-Sponsored Organizations: Community Learning Partnership | 1,583,394 | | | - | 1,583,394 |
| Fiscally-Sponsored Organizations: EBE Fund | 935,677 | | | - | 935,677 |
| Total expenses | $ 8,985,846 | $ 900,971 | $ 77,032 | $ 978,002 | $ 9,963,848 |

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

**EMERALD CITIES COLLABORATIVE, INC.**
**NOTES TO FINANCIAL STATEMENTS**
**JUNE 30, 2023**

## NOTE 1 – BACKGROUND

Emerald Cities Collaborative, Inc. (ECC) was formed as a 501(c)(3) nonprofit corporation under the laws of the State of Delaware on August 6, 2009. The primary purpose of the Organization is to promote the "greening" of metropolitan areas in ways that improve equal opportunity, shared wealth and democracy within them. The Organization is supported primarily through contributions.

## NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

***Basis of Accounting*** – The accompanying financial statements have been prepared on the accrual basis of accounting. Accordingly, revenue is recorded when earned and expenses are recorded as incurred.

***Basis of Presentation*** – In accordance with FASB ASU 2016-14, ECC reports its financial statements according to two classes of net assets – those with donor restrictions and those without donor restrictions. A description of the two net asset categories follows:

- Net Assets with Donor Restrictions – the portion of net assets that is subject to donor-imposed restrictions

- Net Assets without Donor Restrictions – the portion of net assets that is not subject to donor-imposed restrictions

Within net assets without donor restrictions are board-designated net assets. These are net assets without donor restrictions but are subject to self-imposed limits by action of the governing board, which could include amounts earmarked for future programs, investment, contingencies, purchase of fixed assets, or other uses. There were no board-designated net assets as of June 30, 2023.

***Income Taxes*** – ECC is exempt from federal income tax under Section 501(c) (3) of the Internal Revenue Code. It is also exempt from state income taxes in the District of Columbia. ECC has adopted the accounting for uncertainty in income taxes as required by *Income Taxes (Topic 74)* of the FASB Accounting Standards Codification. ECC has analyzed its position and has concluded that no liability for unrecognized tax benefits should be recorded related to any uncertain tax provision.

***Property and Equipment*** – Purchased property and equipment over $500 are recorded at cost. Major renewals and betterments, including leasehold improvements, are capitalized; while maintenance and repairs, which do not improve or extend the life of the respective assets, are expensed currently. Depreciation is recorded on the straight-line basis over the estimated useful lives of the property and equipment.

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (CONTINUED)**

***Cost Allocation*** – ECC allocates its expenses on a functional basis among its various programs and support services. Expenses that can be identified with specific programs or support services are allocated directly according to their natural expenditure classification.

***Contributions*** – Contributions, including unconditional promises to give, are recognized as revenue in the period received. Contributions with donor-imposed restrictions and unconditional promises to give with payments due in future periods are reported as support and added to net assets with donor restrictions. Contributions that are restricted by the donor but said restrictions expire in the year in which the contribution is recognized are recorded as increases in net assets without donor restrictions. Conditional promises to give are not recognized until the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at estimated fair value. Contributions to be received after one year are discounted at a rate commensurate with the risk involved. Amortization of the discount is recorded as additional contribution revenue and used in accordance with donor-imposed restrictions, if any, on the contributions.

***Cash and Cash Equivalents*** – For the purpose of presentation in ECC's statement of cash flows, cash equivalents are short-term, highly liquid investments that are both (a) readily convertible to known amounts of cash and (b) so near to maturity that they present insignificant risk of changes in value due to changing interest rates.

***Allowance for Uncollectible Accounts*** – Each year, ECC evaluates each receivable for collectability. At June 30, 2023, ECC considers each receivable to be fully collectible; accordingly, no allowance for doubtful accounts is required.

***Concentration of Risk*** – ECC has cash accounts at various banking institutions which are insured by the Federal Deposit Insurance Corporation up to the limit of $250,000 per bank. The uninsured bank balances was $34,151,429 at June 30, 2023.

***Use of Estimates*** – The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of financial statements and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates.

***Reclassification*** – Certain amounts from the prior year have been reclassified to conform to the current year financial statement presentation.

## NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (CONTINUED)

***Recently Implemented Accounting Standards*** **-** The following summarizes recent accounting standards that were considered related to ECC:

**ASU 2016-02** - In 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-02, Leases (Topic 842). This ASU, as amended, to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the statement of financial position and disclose key information about leasing arrangements. Additionally, in July 2018, the FASB issued ASU 2018-11, *Leases (Topic 842) – Targeted Improvements*, which, among other things, provides an additional transition method that would allow entities to not apply the guidance in ASU 2016-02 in the comparative periods presented in the financial statements and instead recognize a cumulative-effect adjustment to the opening balance of net position in the period of adoption. ECC adopted ASU 2016-02 and its related amendments as of July 1, 2021, which resulted in the recognition of an operating right-of-use asset and operating lease liability totaling $136,651. The lease liability was equal to the present value of expected payments over the term of the lease at the time of adoption; ECC elected to use the federal interest-free rate of 2% in order to discount the future rent payments in order to calculate the initial lease liability. As there were no direct costs incurred prior to the beginning of the lease, the right-of-use asset was equal to the lease liability. The right of use asset is amortized on a straight-line basis over the life of the related lease. ECC elected to adopt the transition relief provisions from ASU 2018-11 and recorded the impact of adoption as of July 1, 2021 without restating any prior-year amounts or disclosures. Additional lease disclosures can be found in Note 5.

As a result of the implementation of this standard, the following changes to opening balances of net assets were made:

| | Original 2022 Amounts | Adjustments | Adjusted 2022 Amounts |
|---|---|---|---|
| Right of Use Asset | $ - | $ 136,651 | $ 136,651 |
| Right of Use Asset Accumulated Amort. | - | (69,010) | (69,010) |
| Lease Liability | - | (68,451) | (68,451) |
| Total Impact on Beginning Net Assets | | $ (810) | |

## NOTE 3 – LIQUIDITY OF AND AVAILABILITY RESOURCES

ECC regularly monitors the availability of resources required to meet its operating needs and other contractual obligations. ECC strives to operate within a balanced budget and anticipates collecting sufficient revenue to cover general operating expenditures. ECC's financial assets available within one year of the statement of financial position date are as follows:

## NOTE 3 – LIQUIDITY OF AND AVAILABILITY RESOURCES (CONTINUED)

| | Total |
|---|---|
| Cash and cash equivalents | $ 34,899,025 |
| Contributions receivable | 304,617 |
| Total current assets | |
| Less amounts not available within one year: | |
| Net assets with donor restrictions | (21,273,131) |
| Financial assets available to meet cash needs for general expenditures within one year | $ 13,930,511 |

ECC serves as the fiscal sponsor to organizations whose work is consistent with the mission of ECC. The total amount of cash attributed to ECC fiscal sponsors at the end of the period reported in this financial statement is $21,152,479.

## NOTE 4 – PROPERTY AND EQUIPMENT

A summary of property and equipment at June 30, 2023 is as follows:

| | Total |
|---|---|
| Furniture and equipment | $ 110,991 |
| Software | 82,100 |
| Less: accumulated depreciation and amortization | (157,901) |
| Property and equipment, net | $ 35,190 |

Depreciation expense for the year ended June 30, 2023 was $13,399.

## NOTE 5 – LEASE LIABILITIES AND RIGHT-OF-USE ASSETS

On April 1, 2021, ECC entered into an amended lease agreement for office space at its headquarters in Washington, D.C. The agreement requires monthly payments of $5,683 until its expiration in June 2023.

On May 22, 2023, ECC entered into a lease agreement for office space located in NW Washington, D.C. The agreement requires base monthly payments of $8,875, with annual escalations of 2.5%. The lease is set to expire in May 2029.

For the year ended June 30, 2023, lease expense incurred and charged to operations was $109,392. The future minimum lease payments for the years ending June 30 are as follows:

**NOTE 5 – LEASE LIABILITIES AND RIGHT-OF-USE ASSETS (CONTINUED)**

| Year Ending June 30, | Amount |
|---|---|
| 2024 | $ 106,502 |
| 2025 | 109,165 |
| 2026 | 111,894 |
| 2027 | 114,691 |
| 2028 | 117,558 |
| Thereafter | 110,456 |
| Total | $ 670,266 |

A reconciliation of future minimum lease payments and the lease liability included in the statement of financial position as of June 30 is below:

| | Total |
|---|---|
| Actual Remaining Lease Payments | $ 670,266 |
| Less Present Value Discount | (41,338) |
| Discounted Remaining Payments | $ 628,928 |
| | |
| Lease Liability - Current Portion | $ 106,724 |
| Lease Liability - Non-Current Portion | 522,204 |
| Total Lease Liability | $ 628,928 |

As outlined in Note 2, the right of use asset related to the lease is amortized on the life of the underlying lease. At June 30 2023, the net right of use asset consisted of the following:

| | Total |
|---|---|
| Right to Use Asset | $ 774,455 |
| Accumulated Amortization ROU Asset | (145,961) |
| Right to Use Asset, Net | $ 628,494 |

## NOTE 6 – SUBSEQUENT EVENTS

In preparing these financial statements, management of ECC has evaluated events and transactions that occurred after June 30, 2023 for the potential recognition or disclosure in the financial statements. These events and transactions were evaluated through November 22, 2023, the date the financial statements were available to be issued. Management did not identify any such events or transactions that would require disclosure.